



DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 932

[Doc. No. AMS-FV-14-0105; FV15-932-1 FR]

Olives Grown in California; Increased Assessment Rate

AGENCY: Agricultural Marketing Service, USDA.

ACTION: Final rule.

SUMMARY: This rule implements a recommendation from the California Olive Committee (committee) for an increase of the assessment rate established for the 2015 and subsequent fiscal years from \$15.21 to \$26.00 per assessable ton of olives handled. The committee locally administers the marketing order and is comprised of producers and handlers of olives grown in California. Assessments upon olive handlers are used by the committee to fund reasonable and necessary expenses of the program. The fiscal year begins January 1 and ends December 31. The assessment rate will remain in effect indefinitely unless modified, suspended, or terminated.

DATES: Effective July 2, 2015.

FOR FURTHER INFORMATION CONTACT: Terry Vawter, Senior Marketing Specialist or Martin Engeler, Regional Manager,

California Marketing Field Office, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA; Telephone: (559) 487-5901, Fax: (559) 487-5906, or E-mail: Terry.Vawter@ams.usda.gov or Martin.Engeler@ams.usda.gov.

Small businesses may request information on complying with this regulation by contacting Jeffrey Smutny, Marketing Order and Agreement Division, Fruit and Vegetable Program, AMS, USDA, 1400 Independence Avenue SW, STOP 0237, Washington, DC 20250-0237; Telephone: (202) 720-2491, Fax: (202) 720-8938, or E-mail: Jeffrey.Smutny@ams.usda.gov.

SUPPLEMENTARY INFORMATION: This rule is issued under Marketing Agreement No. 148 and Order No. 932, both as amended (7 CFR part 932), regulating the handling of olives grown in California, hereinafter referred to as the "order." The order is effective under the Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601-674), hereinafter referred to as the "Act."

The Department of Agriculture (USDA) is issuing this rule in conformance with Executive Orders 12866, 13563, and 13175.

This rule has been reviewed under Executive Order 12988, Civil Justice Reform. Under the marketing order now in effect, California olive handlers are subject to assessments. Funds to administer the order are derived from

such assessments. It is intended that the assessment rate issued herein will be applicable to all assessable olives beginning on January 1, 2015, and continue until amended, suspended, or terminated.

The Act provides that administrative proceedings must be exhausted before parties may file suit in court. Under section 608c(15)(A) of the Act, any handler subject to an order may file with USDA a petition stating that the order, any provision of the order, or any obligation imposed in connection with the order is not in accordance with law and request a modification of the order or to be exempted therefrom. Such handler is afforded the opportunity for a hearing on the petition. After the hearing, USDA would rule on the petition. The Act provides that the district court of the United States in any district in which the handler is an inhabitant, or has his or her principal place of business, has jurisdiction to review USDA's ruling on the petition, provided an action is filed not later than 20 days after the date of the entry of the ruling.

This rule increases the assessment rate established for the committee for the 2015 and subsequent fiscal years from \$15.21 to \$26.00 per ton of assessable olives.

The California olive marketing order provides authority for the committee, with the approval of USDA, to formulate

an annual budget of expenses and collect assessments from handlers to administer the program. The members of the committee are producers and handlers of California olives. They are familiar with the committee's needs and with the costs for goods and services in their local area and are thus in a position to formulate an appropriate budget and assessment rate. The assessment rate is formulated and discussed in a public meeting. Thus, all directly affected persons have an opportunity to participate and provide input.

For the 2014 and subsequent fiscal years, the committee recommended, and USDA approved, an assessment rate that would continue in effect from fiscal year to fiscal year unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the committee or other information available to USDA.

The committee met on December 9, 2014, and unanimously recommended 2015 fiscal year expenditures of \$1,374,072, and an assessment rate of \$26.00 per ton of assessable olives. Olives are an alternate-bearing crop: a large crop followed by a smaller crop. Olive producers and handlers are accustomed to wide swings in crop yields, which necessarily result in fluctuations in the assessment rate from year to year. In comparison, last year's budgeted expenditures were

\$1,262,460. The assessment rate of \$26.00 is \$10.79 higher than the rate currently in effect.

The committee recommended the higher assessment rate because of a substantial decrease in assessable olive tonnage for the 2014 crop year. The olive tonnage available for the 2014 crop year was less than 40,000 tons, which compares to the 91,000 tons reported for the 2013 crop year, as reported by the California Agricultural Statistics Service (CASS).

The reduced crop is due to olives being an alternate-bearing fruit. The 2014 crop was what is called the "off" crop - the smaller of the two bearing-year crops.

In addition to the funds from handler assessments, the committee also plans to use available reserve funds to help meet its 2015 fiscal year expenses.

The major expenditures recommended by the committee for the 2015 fiscal year include \$259,231 for research, \$450,000 for marketing activities, \$122,000 for inspection equipment and electronic reporting development, and \$393,500 for administration. The major expenditures for the 2014 fiscal year included \$312,560 for research, \$565,600 for marketing activities, \$37,800 for inspection equipment and electronic reporting development, and \$346,500 for administration.

Overall 2015 expenditures include an increase in inspection equipment and electronic reporting development expenses due to the need to purchase, test, install, and link new sizers to the electronic reporting system. Additionally, the research budget contains a contingency of \$41,000 for new opportunities that may arise during the fiscal year, and the administrative budget includes a \$31,000 contingency for unforeseen issues.

The assessment rate recommended by the committee resulted from consideration of anticipated fiscal year expenses, actual olive tonnage received by handlers during the 2014 crop year, and additional pertinent information. As reported by CASS, actual assessable tonnage for the 2014 crop year is under 40,000 tons or less than half of the 91,000 assessable tons in the 2013 crop year, which is a result of the alternate-bearing characteristics of olives.

Income derived from handler assessments, along with interest income and funds from the committee's authorized reserve will be adequate to cover budgeted expenses. Funds in the reserve will be kept within the maximum permitted by the order of approximately one fiscal year's expenses (\$932.40).

The assessment rate established in this rule will continue in effect indefinitely unless modified, suspended,

or terminated by USDA upon recommendation and information submitted by the committee or other available information. Although this assessment rate will be in effect for an indefinite period, the committee will continue to meet prior to or during each fiscal year to recommend a budget of expenses and consider recommendations for modification of the assessment rate. The dates and times of committee meetings are available from the committee or USDA. Committee meetings are open to the public and interested persons may express their views at these meetings. USDA will evaluate committee recommendations and other available information to determine whether modification of the assessment rate is needed. Further rulemaking will be undertaken as necessary. The committee's 2015 fiscal year budget and those for subsequent fiscal years will be reviewed and, as appropriate, approved by USDA.

Final Regulatory Flexibility Analysis

Pursuant to requirements set forth in the Regulatory Flexibility Act (RFA) (5 U.S.C. 601-612), the Agricultural Marketing Service (AMS) has considered the economic impact of this rule on small entities. Accordingly, AMS has prepared this final regulatory flexibility analysis.

The purpose of the RFA is to fit regulatory actions to the scale of businesses subject to such actions in order

that small businesses will not be unduly or disproportionately burdened. Marketing orders issued pursuant to the Act, and the rules issued thereunder, are unique in that they are brought about through group action of essentially small entities acting on their own behalf. There are approximately 1,000 producers of olives in the production area and 2 handlers subject to regulation under the marketing order. The Small Business Administration (13 CFR 121.201) defines small agricultural producers as those having annual receipts of less than \$750,000, and small agricultural service firms as those whose annual receipts are less than \$7,000,000 (13 CFR 121.210).

Based upon information from the industry and CASS, the average producer price for the 2014 crop year was approximately \$1,027 per ton, and total assessable volume was less than 40,000 tons. Based on production, producer prices, and the total number of California olive producers, the average annual producer revenue is less than \$750,000. Thus, the majority of olive producers may be classified as small entities. Both of the handlers may be classified as large entities.

This rule will increase the assessment rate established for the committee and collected from handlers for the 2015 and subsequent fiscal years from \$15.21 to \$26.00 per ton of

assessable olives. The committee unanimously recommended 2015 fiscal year expenditures of \$1,374,072, and an assessment rate of \$26.00 per ton. The higher assessment rate is necessary because assessable olive receipts for the 2014 crop year were reported by CASS to be less than 40,000 tons, compared to 91,000 tons for the 2013 crop year.

Income derived from the \$26.00 per ton assessment rate, along with funds from the authorized reserve and interest income, should be adequate to meet this fiscal year's expenses.

The major expenditures recommended by the committee for the 2015 fiscal year include \$259,231 for research, \$450,000 for marketing activities, \$122,000 for inspection equipment development, and \$393,500 for administration. Budgeted expenses for these items in 2014 were \$312,560 for research, \$565,600 for marketing activities, \$37,800 for inspection equipment and electronic reporting development, and \$346,500 for administration.

The committee deliberated many of the expenses, weighing the relative value of various programs or projects, and decreased their costs for research and marketing, while increasing their costs for inspection equipment and electronic reporting development, as well as their administrative expenses.

Prior to arriving at this budget, the committee considered information from various sources such as the committee's Executive, Marketing, Inspection, and Research Subcommittees. Alternate expenditure levels were discussed by these groups based upon the relative value of various projects to the olive industry and the reduced olive production. The assessment rate of \$26.00 per ton of assessable olives was derived by considering anticipated expenses, the volume of assessable olives, and additional pertinent factors.

A review of preliminary information indicates that average producer prices for 2014 crop olives were approximately \$1,027 per ton. Therefore, utilizing the assessment rate of \$26.00 per ton, the estimated assessment revenue for the 2015 fiscal year as a percentage of total producer revenue would be approximately 2.5 percent.

This action increases the assessment obligation imposed on handlers. While assessments impose some additional costs on handlers, the costs are minimal and uniform on all handlers. Some of the additional costs may be passed on to producers. However, these costs would be offset by the benefits derived from the operation of the marketing order. In addition, the committee's meeting was widely publicized throughout California's olive industry and all interested

persons were invited to attend the meeting and encouraged to participate in committee deliberations on all issues. Like all committee meetings, the December 9, 2014, meeting was a public meeting and all entities, both large and small, were encouraged to express views on this issue.

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35), the order's information collection requirements have been previously approved by the Office of Management and Budget (OMB) and assigned OMB No. 0581-0178. No changes in those requirements as a result of this action are necessary. Should any changes become necessary, they would be submitted to OMB for approval.

This rule imposes no additional reporting or recordkeeping requirements on either small or large California olive handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies. USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this final rule.

AMS is committed to complying with the E-Government Act to promote the use of the internet and other information technologies to provide increased opportunities for citizen

access to Government information and services, and for other purposes.

A proposed rule concerning this action was published in the **Federal Register** on March 30, 2015 (80 FR 16590).

Copies of the proposed rule were also provided to all olive handlers, as well as to all committee members. Finally, the proposal was made available through the Internet by USDA and the Office of the Federal Register. A 30-day comment period, ending April 29, 2015, was provided for interested persons to respond to the proposal. One comment was received.

The commenter noted that the net increase in the assessment rate is not proportional to the proposed increase in expenses for the committee, and the proposed rule did not explain how the magnitude of the proposed increase in the assessment rate was reached.

In response to the comment, the assessment rate is based upon several factors: the assessable production, the programs and costs the committee finds reasonable and necessary for the fiscal year (proposed budget of expenses), as well as the amount of funds available in the committee's financial reserve, if they choose to use such funds to offset their proposed expenses. The committee determines, based upon their experience with costs in their area and the

types of marketing programs they propose, what their budget of expenses will be. Thus, they agreed that increasing the assessment rate to meet their program administration and marketing needs was acceptable, reasonable, and necessary to achieve their program administration and marketing goals. They also determined that an even larger assessment increase could be averted by utilizing funds from their financial reserves.

The commenter also noted that the proposed rule states that the assessment rate "would continue in effect indefinitely unless modified, suspended, or terminated by USDA upon recommendation and information submitted by the committee or other available information." The commenter stated that such language seemed at odds to language in the rule indicating that the alternate-bearing characteristics of olives result in wide swings in production, causing frequent changes to the assessment rate.

In response to this comment, such language is necessary to ensure that the assessment rate established continues throughout the entire fiscal period and beyond, if necessary, thereby ensuring that assessments on olives continue uninterrupted. Should the committee find it necessary to change the assessment rate at any time, USDA

would consider their recommendation and other available information.

Accordingly, no changes will be made to the rule as proposed based on the comment received.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at:

<http://www.ams.usda.gov/MarketingOrdersSmallBusinessGuide>.

Any questions about the compliance guide should be sent to Jeffrey Smutny at the previously-mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

After consideration of all relevant material presented, including the information and recommendation submitted by the committee and other available information, it is hereby found that this rule, as hereinafter set forth, will tend to effectuate the declared policy of the Act.

Pursuant to 5 U.S.C. 553, it also found and determined that good cause exists for not postponing the effective date of this rule until 30 days after publication in the **Federal Register** because olive handlers have already received 2014-15 crop year olives from producers, the fiscal year began on January 1, 2015, and the assessment rate applies to all olives received during the 2014-15 crop year. Further, handlers are aware of this rule, which was recommended at a

public meeting. Also, a 30-day comment period was provided for in the proposed rule.

List of Subjects in 7 CFR Part 932

Olives, Marketing agreements, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 932 is amended as follows:

PART 932 - OLIVES GROWN IN CALIFORNIA

1. The authority citation for 7 CFR part 932 continues to read as follows:

Authority: 7 U.S.C. 601-674.

2. Section 932.230 is revised to read as follows:

§ 932.230 Assessment rate.

On and after January 1, 2015, an assessment rate of \$26.00 per ton is established for California olives.

Dated: June 26, 2015

Rex A. Barnes
Associate Administrator
Agricultural Marketing Service

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